



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

September 30, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Second National Bank
Charter No. 2992**

**Fourth & Broadway, P.O. Box 130
Greenville, Ohio 45331**

**Office of the Comptroller of the Currency
Central District Office
One Financial Place, Suite 2700
440 LaSalle Street
Chicago, Illinois 60605**

NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act (CRA) performance of Second National Bank (SNB) of Greenville, Ohio prepared by The Officer of the Comptroller of the Currency (OCC), the institution's supervisory agent.

The evaluation represents the OCC's current assessment and rating of the institution's CRA performance based on an examination conducted as of September 30, 1996. It does not reflect any CRA-related activities that may have been initiated or discontinued by the institution after the completion of the examination.

The purpose of the Community Reinvestment Act of 1977 (12 U.S.C. 2901), as amended, is to encourage each financial institution to help meet the credit needs of the communities in which it operates. The Act requires that in connection with its examination of a financial institution, each federal financial supervisory agency shall (1) assess the institution's record of helping to meet the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations of the institution, and (2) take that record of performance into account when deciding whether to approve an application of the institution for a deposit facility.

The Financial Institutions Reform, Recovery and Enforcement Act of 1989, Pub. L. No. 101-73, amended the CRA to require the Agencies to make public certain portions of their CRA performance assessments of financial institutions.

Basis for the Rating

The assessment of the institution's record takes into account its financial capacity and size, legal impediments and local economic conditions and demographics, including the competitive environment in which it operates. Assessing the CRA performance is a process that does not rely on absolute standards. Institutions are not required to adopt specific activities, nor to offer specific types or amounts of credit. Each institution has considerable flexibility in determining how it can best help to meet the credit needs of its entire community. In that light, evaluations are based on a review of 12 assessment factors, which are grouped together under 5 performance categories, as detailed in the following section of this evaluation.

ASSIGNMENT OF RATING

Identification of Ratings

In connection with the assessment of each insured depository institution's CRA performance, a rating is assigned from the following groups:

Outstanding record of meeting community credit needs.

An institution in this group has an outstanding record of, and is a leader in, ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Satisfactory record of meeting community credit needs.

An institution in this group has a satisfactory record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Needs to improve record of meeting community credit needs.

An institution in this group needs to improve its overall record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Substantial noncompliance in meeting community credit needs.

An institution in this group has a substantially deficient record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

DISCUSSION OF INSTITUTION'S PERFORMANCE

INSTITUTION'S CRA RATING: This institution is rated **Satisfactory Record of Meeting Community Credit Needs** .

DESCRIPTION OF INSTITUTION

Second National Bank (SNB) is a \$256 million independent community bank headquartered in Greenville, Ohio. SNB is the sole member of a one bank holding company. It is the largest financial institution in Greenville, Ohio. The bank has served the Darke county community for 112 years. It employs approximately 106 full and part-time employees.

Net loans represent 66% of total assets. The loan portfolio is divided as follows:

Real Estate: \$111,062 million
Commercial: \$ 33,334 million
Installment: \$ 24,805 million

The bank's main office is in Greenville, Ohio which is located in Darke County. SNB has a total of seven branch offices. Six branches are in Darke County. Three branches are in Greenville , two in Arcanum, and one in Versailles. The other branch is in Fort Recovery in Mercer County, Ohio. SNB also operates stand-alone full service ATM's in Greenville and Arcanum in Darke County, and in Ft. Recovery, Mercer County. SNB also operates another full-service ATM in the WAL-MART store in Greenville. Second National, Greenville competes with branches of several large regional banks. These include Fifth Third Bank, Star Bank, and Bank One, Dayton. Additional competition is provided by a saving and loan association and a state bank.

The bank's primary lending focus is consumer-related lending, i.e. residential mortgages and instalment loans, as well as agricultural lending. Commercial lending is geared toward small businesses and farms.

DESCRIPTION OF DELINEATED COMMUNITY

The bank's delineated community, redefined in 1996, closely proximates their previous delineated market area. It is located in non-MSA counties, and consists of 28 block numbering areas (BNA's) in Darke and Mercer Counties in Ohio, and Jay County, Indiana. Twelve of the BNA's are in Darke County (entire county), nine are in Mercer, and the remaining seven are in Jay County, Indiana.

These 28 BNA's are characterized as follows: 22 middle income (79%), four (4) upper income (14%), and two (2) moderate income (7%). There are a total of 44,212 housing units in the bank's delineated community area with 31,899 or 72% being owner occupied units. The delineated community meets the requirements of the

regulation and does not arbitrarily exclude low or moderate income areas.

The median family income for the delineated community is \$30,622. It has a population of 114,574. The distribution of families in income categories is as follows: 15.38% are low income, 18.41% are moderate income, 26.66% are middle income, and 39.54% are upper income.

Greenville, Ohio, the hub and major portion of the delineated community, is located in west central Ohio approximately 38 miles northwest of Dayton, Ohio. It is made up primarily of small, rural villages and townships.

Agricultural pursuits provide the largest source of income in the delineated community. Darke county also produces the largest amount of agri-related receipts in the State of Ohio. Agri-related and light manufacturing are the principal industries in the county. Major growth areas for Darke county are in the light manufacturing sector. The local economy is considered stable and has experienced modest growth.

Major employers include:

- AlliedSignal Automotive - 1,000
- Corning Incorporated - 700
- Midmark Corporation - 600+
- Greenville Technology, Inc. - 500+
- Neff Athletic Lettering Company - 500+, and
- Whirlpool Corporation - 500

I. ASCERTAINMENT OF COMMUNITY CREDIT NEEDS

Assessment Factor A - Activities conducted by the institution to ascertain the credit needs of its community, including the extent of the institution's efforts to communicate with members of its community regarding the credit services being provided by the institution.

- o **SNB has an effective program for determining the credit needs of its delineated community, including low- to moderate- income areas.**

SNB's has an informal yet effective ascertainment process which involves both the Board and the bank staff. The process includes an officer call program and employee involvement in local social, religious, cultural and educational activities.

Regular contacts are made with a large range of groups in each community served by SNB. Contacts included business leaders, representatives of farming, government officials, and civic and

educational leaders.

The Board of Directors and senior management respond to local input regarding community credit needs. Actions include a significant level of lending for residential mortgages, home improvement and small businesses and small farms.

Management and the Board offer conventional products which are reasonably suited to identified credit needs.

We conducted two interviews with individuals from the community to ascertain credit needs of the community. We met with an economic development specialist and a local real estate broker. These interviews did not disclose any credit needs that are unmet in the community.

Assessment Factor C - The extent of participation by the institution's Board of Directors in formulating the institution's policies and reviewing its performance with respect to the purpose of the Community Reinvestment Act.

- o **The Board of Directors routinely considers CRA-related activities in its planning process. The normal annual review of CRA performance was not completed in 1995. Likewise, the bank's 1995 CRA statement was not presented to the Board for adoption. Management has indicated that these items were delayed due to implementation of reporting requirements necessary for compliance with the revised CRA regulation.**

SNB does not have a formal strategic planning process. However, CRA-related goals are usually incorporated into informal planning discussions. A CRA self-assessment was prepared for Board review in 1994, but not in 1995.

Members of the Board and senior management are personally involved in many activities which aid in the development and improvement of the local communities served by the bank. The Board of Directors and management urge its staff to be involved in and promote activities that contribute to the quality of life in the delineated community.

The Board and senior management adequately support CRA training. Training is provided to all employees on an annual basis.

II. MARKETING AND TYPES OF CREDIT OFFERED AND EXTENDED

Assessment Factor B - The extent of the institution's marketing and special credit-related programs to make members of the community aware of the credit services offered by the institution.

- o **SNB operates under an adequate marketing and advertising program that informs all segments of the community of its financial products and services.**

Management seeks to ensure that the community perceives SNB as the financial institution which provides the best service and value for its customers. Senior management meets monthly to evaluate marketing initiatives and assess ongoing marketing plans.

Marketing and advertising programs have been developed to increase community awareness of the financial products offered by SNB. Advertising is carried in widely circulated local print media. Billboards and select radio spots are also used. An integral part of the marketing effort is employee involvement.

Assessment Factor I - The institution's origination of residential mortgage loans, housing rehabilitation loans, home improvement loans, and small business or small farm loans within its community, or the purchase of such loans originated in its community.

- o **Management has undertaken efforts to address a significant portion of identified credit needs as evidenced by lending levels.**

During the seven quarters since the SNB's last public evaluation, the bank's loan to deposit ratio has averaged 77%. This average is currently 8% above the bank's peer group of 783 banks and has been as high as 14% above peer average.

The bank is an active residential mortgage lender with 66% of its loan portfolio in mortgage loans. Data which could be used to compare SNB's real estate originations to other local financial institutions was not available.

Residential mortgage loans generated for the six months from July 1, 1994, full year 1995, and year to date, 1996 are as follows:

Loan Type	7/1 to 12/31 1994		Full Year 1995		YTD 1996 (9/30/96)	
	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)
Residential Mortgage:						
Purchase	90	5,700	154	9,742	105	8,739
Refinance	46	3,003	122	8,071	149	10,843
Other	20	2,007	48	5,640	55	7,317
Totals	156	10,710	324	23,453	309	26,899

Detail for originations of other loan types for the period since the last performance evaluation were not available.

Assessment Factor J - The institution's participation in government insured, guaranteed or subsidized loan programs for housing, small businesses, or small farms.

- o **SNB frequently participates in government insured, guaranteed and subsidized programs to meet the needs of housing, small business, small farms, and rural development.**

The Board of Directors and management are made aware of government sponsored lending activity through their community outreach activities. Examples of participation in these programs include:

Type of Program	1995		YTD 1996 (10/11/96)	
	#	\$ (000's)	#	\$ (000's)
Community Housing Imp. Program	1	48	0	0
FmHA Farm	0	0	2	32
Ohio Ag. Linked Deposit Program	4	230	7	410
Stillwater Ohio EPA Program	0	0	2	25
Totals	5	278	11	467

III. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES

Reasonableness of Delineated Community

- o **SNB's delineated community meets the purpose of CRA and does not exclude low- to moderate-income areas.**

The local community delineation is reasonable. SNB has designated all of Darke county, the southern portion of Mercer county and the eastern portion of Jay county, Indiana as its delineated community. This delineation is based upon an analysis of branch locations and loan activity in these locations.

Assessment Factor E - The geographic distribution of the institution's credit extensions, credit applications, and credit denials.

- o **The geographic distribution of SNB's loan applications, originations and denials demonstrates a reasonable penetration throughout its delineated community.**
- o **A Substantial majority of loans are in the bank's delineated community.**

Management conducts an informal analysis of loan applications and originations. The analyses, prior to 1996 was performed by plotting loan distribution based on internally generated census tract numbers. Since January 1996, block numbering areas have been used to determine geographic analysis of loans. The analyses reflects a reasonable penetration of loan activity within the bank's delineated community.

Denials represented a minimal level of the volume of loan activity.

Below is a table which outlines SNB's origination of loans within its delineated community:

Year to Date (1/1/96 to 9/30/96)				
Loan Type:	#	%	\$ (000's)	%
Residential Real Estate & Consumer	1412	85	28,978	84
Small Business and Farm	562	88	25,980	90

Assessment Factor G - The institution's record of opening and closing offices and providing services at offices.

- o **SNB has a reasonable record of opening and closing offices and providing services at their offices.**

No offices have been opened or closed since the last performance evaluation in 1994. A written policy has been developed dictating factors to be considered for maintaining, establishing and closing/consolidating branches.

The bank's branches are readily accessible to all segments of the community. Business hours and services are tailored to the convenience of bank customers. **Four locations offer 24 hour drive-up or walk-up ATM service.** Management periodically performs a review of branch hours and services. Office hours are as follows:

Monday through Thursday	8:00 a.m. to 5:00 p.m. Drive-up 8:30 a.m. to 5:00 p.m. Lobby
Friday	8:00 a.m. to 6:00 p.m. Drive-up 8:30 a.m. to 6:00 p.m. Lobby
Saturday	8:00 a.m. to 11:30 a.m. Drive-up 8:30 a.m. to 11:30 a.m. Lobby

IV. DISCRIMINATION AND OTHER ILLEGAL CREDIT PRACTICES

Assessment Factor D - Any practices intended to discourage applications for types of credit set forth in the institution's CRA Statement(s).

- o **There is no evidence of lending practices or procedures that would discourage an applicant from applying for credit.**

SNB actively solicits all types of loan applications from all segments of its delineated community. Policies, procedures and training programs are in place to ensure the institution does not illegally discourage applicants.

Assessment Factor F - Evidence of prohibited discriminatory or other illegal credit practices.

- o **SNB is in substantial compliance with all provisions of anti-discrimination laws and regulations.**

We noted no evidence of illegal credit practices related to the Equal Credit Opportunity Act, Fair Housing Act or the Fair Credit Reporting Act during our Fair Lending examination. The Fair Lending examination included a review of the adequacy of underwriting/loan processing, policies and procedures, and training. We found these areas to be adequate. Our examination also included a loan terms, or comparative, analysis of residential real estate loan applications made during the last year. This included noting interest rates quoted and charged to applicants. No pattern of disparity in rates was found. Finally, we reviewed the bank's internal fair lending analysis. We judged the bank's internal program as adequate.

V. COMMUNITY DEVELOPMENT

Assessment Factor H - The institution's participation, including investment, in local community development and redevelopment projects and programs.

- o **SNB is aware of community development and redevelopment programs and participates in such programs when they are available.**

In the period since the last performance evaluation, SNB's ability to participate has been limited by the lack of projects which qualify as community development activities. The Board and management continue to be involved in the community to be aware of potential future community development and redevelopment programs and projects.

Assessment Factor K - The institution's ability to meet various community credit needs based on its financial condition and size, legal impediments, local economic conditions and other factors.

- o **No factors are present that would impede the bank's ability to meet community credit needs.**

SNB retains status as a "Blue Ribbon" rated bank by Veribanc, Ohio, a nationally recognized bank rating service. Bauer Financial Reports, Inc., the nations leading bank research and rating firm, has awarded SNB its highest five-star rating.

Examples of SNB's good working relationships with the government and private sector to identify opportunities for addressing community development needs are:

Greenville and Darke County

The President and CEO of SNB continues to be stay informed, and whenever possible, actively involved in the community. He currently serves the community in the following roles:

- o President for the Darke County Community Improvement Corporation (CIC).
- o Member of the Greenville Downtown Task Force Committee.
- o Member of the Darke County Economic Development Committee.

Additional involvement is noted through the following activities:

Grand Lake/Mercer County

- o A Vice President of SNB has been appointed by the Ft. Recovery Mayor and village council to the Industrial Park Committee.
- o SNB was involved in private funding for the Community Improvement Corp. (CIC) for Mercer County.

Assessment Factor L - Any other factors that, in the regulatory authority's judgement, reasonably bear upon the extent to which an institution is helping to meet the credit needs of its entire community.

- o **SNB is actively engaged in other meaningful activities that contribute to help meet community credit needs.**

SNB staff members are actively involved in over 100 civic, social, and other community-based organizations, clubs and committees. This involvement aid the bank in helping to meet the credit needs of the entire community. This is supplemented with monetary support to numerous nonprofit, educational, civic, and social service organizations that help improve community life.

Bank personnel routinely provide assistance to individuals and groups in understanding and applying for credit. These activities include:

- o Instructing teachers in banking and economics with emphasis on credit card programs and credit in general;
- o Participating in College Day, which involves providing disclosures and questions on Student loans;
- o Making presentations to Fort Recovery school math class on credit; and
- o Making presentation to Power Mechanics class on car financing.